

## U.S. FEDERAL AND GERMAN TAX CONSEQUENCES

### General

The following sections contain separate discussions of:

- U.S. federal income tax consequences of the Deutsche Telekom/VoiceStream merger to U.S. holders of VoiceStream common shares;
- U.S. federal income tax consequences of the Deutsche Telekom/Powertel merger to U.S. holders of Powertel common shares;
- U.S. federal income tax consequences of the Deutsche Telekom/Powertel merger to U.S. holders of Powertel preferred shares;
- U.S. federal income tax consequences of the VoiceStream/Powertel merger to U.S. holders of Powertel common shares;
- U.S. federal income tax consequences of the VoiceStream/Powertel merger to U.S. holders of Powertel preferred shares;
- U.S. federal income tax and German tax considerations for U.S. resident holders of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares; and
- German tax considerations for non-German holders of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares.

### *General Matters Relating to U.S. Federal Income Tax Discussions*

As used in these discussions, the term “U.S. holder” means, before the merger, a beneficial owner of VoiceStream common shares or Powertel shares, as applicable, or an employee stock option to acquire such shares, and, after the merger, a beneficial owner of Deutsche Telekom ADSs or Deutsche Telekom ordinary shares or VoiceStream common shares, as applicable, who is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation created or organized in the United States or under the law of the United States or any state or the District of Columbia; or
- a partnership, trust, or estate that is treated as a United States person.

These discussions do not address all aspects of U.S. tax law that may be relevant to a U.S. holder in light of his particular circumstances or who is subject to special provisions of such law. For example, these discussions do not address all aspects of U.S. tax law that may be relevant to U.S. holders:

- who are liable for alternative minimum tax;
- who hold their VoiceStream common shares, Powertel shares, Deutsche Telekom ADSs, or Deutsche Telekom ordinary shares as part of a straddle, hedge, synthetic security, conversion transaction or other integrated investment composed of one or more other investments;
- whose “functional currency” is not the U.S. dollar; or
- who are financial institutions, insurance companies, tax-exempt organizations, traders in securities that elect mark-to-market accounting treatment, or broker-dealers.

In addition, these discussions are limited to U.S. holders who hold their VoiceStream common shares, Powertel shares, Deutsche Telekom ADSs or Deutsche Telekom ordinary shares as capital assets. The discussion also does not address U.S. state or local taxation or taxation by countries other than the United States and Germany.

The U.S. tax discussions are based on existing U.S. federal income tax law, including statutes, regulations, administrative rulings, and court decisions, all as in effect on the date of this proxy statement/prospectus. All of these authorities are subject to change, or change in interpretation, possibly with retroactive effect. These discussions assume that each merger will be completed in accordance with the terms of the relevant merger agreement. Any change in any of the foregoing authorities or failure of the assumption to be true could alter the tax consequences discussed below. The parties will not request, and none of the mergers is conditioned on, a ruling from the Internal Revenue Service as to any of the U.S. federal income tax consequences of such merger. As a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions set forth in the discussions.

In these discussions, when we refer to the completion of any of the mergers, we mean the effective time of those mergers, which occurs when a certificate of merger is filed and becomes effective.

Each VoiceStream shareholder and Powertel shareholder is urged to consult his own tax advisor as to the U.S. federal income and other tax consequences to him of the relevant merger, including the income tax consequences arising from his own unique facts and circumstances, and including any estate, inheritance, gift, state, local or non-U.S. tax consequences of the relevant merger.

#### **U.S. Federal Income Tax Consequences of the Deutsche Telekom/VoiceStream Merger to U.S. Holders of VoiceStream Common Shares**

Subject to the limitations and qualifications set forth under “— General” and in this section, the discussion in this section represents the opinion of Jones, Day, Reavis & Pogue, tax counsel to VoiceStream, and Wachtell, Lipton, Rosen & Katz, special counsel to VoiceStream, as to the material U.S. federal income tax consequences of the Deutsche Telekom/VoiceStream merger to U.S. holders of VoiceStream common shares. Each counsel has delivered this opinion, dated the effective date of this proxy statement/prospectus, to VoiceStream.

##### *Tax Opinion Condition to Closing*

The obligation of VoiceStream to complete the Deutsche Telekom/VoiceStream merger is conditioned on the receipt of an additional opinion from tax counsel to VoiceStream and/or special counsel to VoiceStream, dated as of completion of the Deutsche Telekom/VoiceStream merger, substantially to the effect that the Deutsche Telekom/VoiceStream merger will qualify as a reorganization within the meaning of Section 368(a) of the U.S. tax code and that each transfer of property to Deutsche Telekom by a shareholder of VoiceStream pursuant to the Deutsche Telekom/VoiceStream merger will not be subject to Section 367(a)(1) of the U.S. tax code. Counsel’s tax opinion will be based on assumptions noted in the opinion, including an assumption that any “five-percent transferee shareholder” of Deutsche Telekom, as defined in Treasury regulations promulgated under Section 367(a) of the U.S. tax code, will file a “gain recognition agreement” as defined in such regulations, and on factual representations of VoiceStream and Deutsche Telekom contained in certificates signed by officers of VoiceStream and Deutsche Telekom to be delivered at the time of the Deutsche Telekom/VoiceStream merger. VoiceStream does not intend to waive the receipt of its counsel’s opinion as a condition to its obligation to complete the Deutsche Telekom/VoiceStream merger, and will not waive the receipt of an opinion as a condition to its obligation to complete the merger without recirculating this document in order to resolicit stockholder approval. Counsel’s opinion will not be binding on the IRS or any court.

Both counsels presently intend to deliver to VoiceStream at the completion of the merger an opinion that satisfies the requirements set forth in the prior paragraph, and it is assumed for purposes of the remainder of the discussion in this section that both counsels will deliver such an opinion.

##### *U.S. Holders Whose Merger Consideration Does Not Consist Solely of Cash*

For U.S. federal income tax purposes, the Deutsche Telekom/VoiceStream merger will qualify as a reorganization within the meaning of Section 368(a) of the U.S. tax code and each transfer of property to Deutsche Telekom by a shareholder of VoiceStream pursuant to the Deutsche Telekom/VoiceStream

merger will not be subject to Section 367(a)(1) of the U.S. tax code. Accordingly, with the possible exception of merger consideration that is received in exchange for the 0.75% stock dividend permitted by the Deutsche Telekom/VoiceStream merger agreement as described under “Summary of the Deutsche Telekom/VoiceStream Transaction Documents — The Deutsche Telekom/VoiceStream Merger Agreement — Election and Exchange of Certificates Representing VoiceStream Common Shares”, a U.S. holder of VoiceStream common shares whose merger consideration does not consist solely of cash:

- will not recognize any loss upon his receipt of merger consideration in the Deutsche Telekom/VoiceStream merger, and
- will recognize gain upon his receipt of merger consideration in the Deutsche Telekom/VoiceStream merger equal to the lesser of the gain realized, if any, with respect to each VoiceStream common share exchanged and the cash, if any, received for the VoiceStream common share.

The amount of gain realized with respect to each VoiceStream common share exchanged will equal the excess of:

- the sum of the fair market value at the completion of the Deutsche Telekom/VoiceStream merger of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares and the cash, if any, received for the share, over
- the U.S. holder’s tax basis in such share.

As discussed further below, different rules apply to any shareholder of VoiceStream who, immediately after the Deutsche Telekom/VoiceStream merger, will be a “five-percent transferee shareholder” of Deutsche Telekom, as defined in Treasury regulations promulgated under Section 367(a) of the U.S. tax code, and to any cash received in lieu of fractional shares in the Deutsche Telekom/VoiceStream merger. Any recognized gain generally will be capital gain, and generally will be long-term capital gain with respect to VoiceStream common shares held by the U.S. holder for more than 12 months at the completion of the Deutsche Telekom/VoiceStream merger. In some cases, if the shareholder actually or constructively owns Deutsche Telekom ADSs or Deutsche Telekom ordinary shares other than those received as a result of the Deutsche Telekom/VoiceStream merger, the recognized gain could be treated as having the effect of the distribution of a dividend, under the tests set forth in Section 302 of the U.S. tax code, in which case such gain would be treated as ordinary dividend income.

The aggregate tax basis of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received by a U.S. holder in the Deutsche Telekom/VoiceStream merger, including any fractional interests to which the U.S. holder would be entitled but for the special treatment of fractional interests described below, will equal the aggregate tax basis of the VoiceStream common shares exchanged for the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares, increased by the amount of gain, including any gain that is treated as a dividend, recognized by the U.S. holder as a result of his exchange of VoiceStream common shares in the Deutsche Telekom/VoiceStream merger, and decreased by the amount of cash received by the U.S. holder in the Deutsche Telekom/VoiceStream merger, other than cash received in lieu of a fractional Deutsche Telekom ADS or Deutsche Telekom ordinary share. The holding period of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received will include the holding period of the VoiceStream common shares exchanged therefor.

Fractional interests in Deutsche Telekom ADSs or Deutsche Telekom ordinary shares will not be issued to VoiceStream shareholders in the Deutsche Telekom/VoiceStream merger. Instead, any fractional interests VoiceStream shareholders otherwise would have been entitled to receive will be sold and the proceeds will be paid to those shareholders. A U.S. holder who receives cash in respect of a fractional interest in a Deutsche Telekom ADS or Deutsche Telekom ordinary share will recognize gain or loss equal to the difference between the cash received for the fractional share and the U.S. holder’s tax basis in the VoiceStream common shares exchanged which is allocable to the fractional interest. Any such gain or loss generally will be capital gain or loss, and generally will be long-term capital gain or loss with respect to

VoiceStream common shares held for more than 12 months at the completion of the Deutsche Telekom/VoiceStream merger.

Merger consideration received by a U.S. holder in exchange for the 0.75% stock dividend permitted by the Deutsche Telekom/VoiceStream merger agreement likely would be treated the same as other merger consideration, and Deutsche Telekom and VoiceStream intend to treat it the same as other merger consideration for U.S. federal income tax purposes. It is possible, however, that merger consideration received by a U.S. holder in exchange for the stock dividend could instead be treated as ordinary dividend income that is separately received by the U.S. holder from Deutsche Telekom. In such case, the amount of the dividend generally would be equal to the amount of cash plus the fair market value of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received in exchange for the VoiceStream 0.75% stock dividend, determined at completion of the Deutsche Telekom/VoiceStream merger. Further, the U.S. holder's tax basis in such Deutsche Telekom ADSs or Deutsche Telekom ordinary shares would be equal to such fair market value and his holding period generally would begin on the date following the date of completion of the Deutsche Telekom/VoiceStream merger. In the event that merger consideration received by a U.S. holder in exchange for the stock dividend were treated as separately received by the U.S. holder, that treatment would not affect the status of the merger as a reorganization within the meaning of Section 368(a) of the U.S. tax code.

A U.S. holder who is a "five-percent transferee shareholder" of Deutsche Telekom immediately after the Deutsche Telekom/VoiceStream merger, as defined in Treasury regulations promulgated under Section 367(a) of the U.S. tax code, will qualify for non-recognition treatment as described in this proxy statement/prospectus only if the U.S. holder files with the IRS a "gain recognition agreement," as defined in such Treasury regulations. Any U.S. holder of VoiceStream common shares who may be a five-percent transferee shareholder is urged to consult his tax advisor concerning the decision to file a gain recognition agreement and the procedures to be followed in connection with that filing.

#### *U.S. Holders Whose Merger Consideration Consists Solely of Cash*

A U.S. holder of VoiceStream common shares that receives only cash in the Deutsche Telekom/VoiceStream merger will generally recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash received and the U.S. holder's tax basis in the VoiceStream common shares surrendered in the Deutsche Telekom/VoiceStream merger. Such recognized gain or loss generally will be capital gain or loss, and generally will be long term with respect to VoiceStream common shares held by the U.S. holder for more than 12 months at the completion of the Deutsche Telekom/VoiceStream merger. In some cases, if the shareholder actually or constructively owns Deutsche Telekom ADSs or Deutsche Telekom ordinary shares, the recognized gain could be treated as having the effect of the distribution of a dividend, under the tests set forth in Section 302 of the U.S. tax code, in which case such gain would be treated as ordinary dividend income. In addition, it is possible that cash received by a U.S. holder in exchange for the 0.75% stock dividend permitted under the Deutsche Telekom/VoiceStream merger agreement could be treated as ordinary dividend income that is separately received by the U.S. holder from Deutsche Telekom.

#### *U.S. Holders Who Are Dissenting Shareholders*

Subject to the discussion below, a U.S. holder who exercises his right to dissent from the Deutsche Telekom/VoiceStream merger will recognize gain or loss on the exchange of his VoiceStream common shares for cash in an amount equal to the difference between:

- the cash received, other than amounts, if any, which are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income; and
- his tax basis in his VoiceStream common shares.

Such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss with respect to VoiceStream shares held for more than 12 months at the completion of the Deutsche Telekom/VoiceStream merger. A dissenting shareholder may be required to recognize any gain or loss in the year the Deutsche Telekom/VoiceStream merger closes, irrespective of whether the dissenting shareholder actually receives payment for his or her shares in that year. In some instances, cash received by a dissenting VoiceStream shareholder could be taxed as ordinary dividend income if the shareholder actually or constructively owns Deutsche Telekom ADSs or Deutsche Telekom ordinary shares under the tests set forth in Section 302 of the U.S. tax code after the Deutsche Telekom/VoiceStream merger.

#### *U.S. Holders of Employee Stock Options*

The exchange pursuant to the Deutsche Telekom/VoiceStream merger by a U.S. holder of an employee stock option to acquire VoiceStream common shares for an option to acquire Deutsche Telekom ADSs or Deutsche Telekom ordinary shares will not be taxable for U.S. federal income tax purposes. A U.S. holder of an option to acquire a Deutsche Telekom ADS or Deutsche Telekom ordinary share who received that option in exchange for an option to acquire VoiceStream common shares that was received as compensation, and who exercises that Deutsche Telekom option, generally will recognize ordinary income for U.S. federal income tax purposes in an amount equal to the excess of the fair market value on the exercise date of the Deutsche Telekom ADS or Deutsche Telekom ordinary share received pursuant to the exercise over the price paid for the Deutsche Telekom ADS or Deutsche Telekom ordinary share pursuant to the option, and generally will be subject to applicable withholding taxes. A U.S. holder's tax basis in Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received as a result of the exercise of the option will equal the fair market value of the Deutsche Telekom ADS or Deutsche Telekom ordinary share on the exercise date and a U.S. holder's holding period will begin on the exercise date. Thereafter, the U.S. holder will be subject to the rules discussed below with respect to U.S. holders of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares.

The foregoing discussion does not address the U.S. federal income tax consequences of the exercise of any option that is treated as an incentive stock option within the meaning of Section 422(b) of the U.S. tax code. Any U.S. holder of an option that is treated as an incentive stock option is urged to consult his own tax advisor concerning the consequences to him of the Deutsche Telekom/VoiceStream merger and exercise of the option.

#### *U.S. Backup Withholding*

Under the U.S. tax code, a U.S. holder of VoiceStream common shares may be subject, under certain circumstances, to backup withholding at a rate of 31% with respect to the amount of cash, if any, received in the Deutsche Telekom/VoiceStream merger, including cash received in lieu of fractional shares or upon exercise of dissenters' rights, unless the U.S. holder provides proof of an applicable exemption or correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not additional tax and may be refunded or credited against the U.S. holder's federal income tax liability, so long as the required information is furnished to the IRS.

#### **U.S. Federal Income Tax Consequences of the Deutsche Telekom/Powertel Merger to U.S. Holders of Powertel Common Shares**

Subject to the limitations and qualifications set forth under "— General" and in this section, the discussion in this section represents the opinion of Morris, Manning & Martin, LLP, counsel to Powertel, and Cleary, Gottlieb, Steen & Hamilton, counsel to Deutsche Telekom, as to the material U.S. federal income tax consequences of the Deutsche Telekom/Powertel merger to U.S. holders of Powertel common shares. Each counsel has delivered this opinion, dated the effective date of this proxy statement/prospectus, to Powertel or Deutsche Telekom, as applicable.

### *Tax Opinion Condition to Closing*

The obligation of Powertel to complete the Deutsche Telekom/Powertel merger is conditioned on the receipt of an additional opinion from Morris, Manning & Martin, LLP, counsel to Powertel, and the obligation of Deutsche Telekom to complete the Deutsche Telekom/Powertel merger is conditioned on the receipt of an additional opinion from Cleary, Gottlieb, Steen & Hamilton, counsel to Deutsche Telekom, each opinion, dated as of completion of the Deutsche Telekom/Powertel merger, substantially to the effect that the Deutsche Telekom/Powertel merger will qualify as a reorganization within the meaning of Section 368(a) of the U.S. tax code and that each transfer of property to Deutsche Telekom by a shareholder of Powertel pursuant to the Deutsche Telekom/Powertel merger will not be subject to Section 367(a)(1) of the U.S. tax code. Counsels' tax opinions will be based upon assumptions noted in the opinions, including an assumption that any "five-percent transferee shareholder" of Deutsche Telekom, as defined in Treasury regulations promulgated under Section 367(a) of the U.S. tax code, will file a "gain recognition agreement" as defined in such regulations, and on factual representations of Powertel and Deutsche Telekom contained in certificates signed by officers of Powertel and Deutsche Telekom to be delivered at the time of the Deutsche Telekom/Powertel merger. Powertel does not intend to waive the receipt of its counsel's opinion as a condition to its obligation to complete the Deutsche Telekom/Powertel merger, and will not waive the receipt of an opinion as a condition to its obligation to complete the merger without recirculating this document in order to resolicit stockholder approval. Counsels' opinions will not be binding on the IRS or any court.

Both counsels presently intend to deliver to Powertel or Deutsche Telekom, as applicable, at the completion of the merger an opinion that satisfies the requirements set forth in the prior paragraph, and it is assumed for purposes of the remainder of the discussion in this section that each counsel will deliver such an opinion.

### *U.S. Holders of Powertel Common Shares*

For U.S. federal income tax purposes, the Deutsche Telekom/Powertel merger will qualify as a reorganization within the meaning of Section 368(a) of the U.S. tax code and each transfer of property to Deutsche Telekom by a shareholder of Powertel pursuant to the Deutsche Telekom/Powertel merger will not be subject to Section 367(a)(1) of the U.S. tax code. Accordingly, with the possible exception of merger consideration that is received in exchange for the 0.75% stock dividend permitted by the Deutsche Telekom/Powertel merger agreement as described under "Summary of the Deutsche Telekom/Powertel and VoiceStream/Powertel Transaction Documents — The Deutsche Telekom/Powertel Merger Agreement — Adjustment in Connection with Permitted Dividends," a U.S. holder of Powertel common shares generally will not recognize any gain or loss upon his receipt of merger consideration in the Deutsche Telekom/Powertel merger, except with respect to cash received in lieu of fractional shares, as discussed further below.

The aggregate tax basis of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received by a U.S. holder in the Deutsche Telekom/Powertel merger, including any fractional interest to which the U.S. holder would be entitled but for the special treatment of fractional interests described below, generally will equal the aggregate tax basis of the Powertel common shares exchanged for the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares. The holding period of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received will include the holding period of the Powertel common shares exchanged therefor.

Fractional interests in Deutsche Telekom ADSs or Deutsche Telekom ordinary shares will not be issued to Powertel shareholders in the Deutsche Telekom/Powertel merger. Instead, any fractional interests in Deutsche Telekom ADSs or Deutsche Telekom ordinary shares that a U.S. holder of Powertel common shares otherwise would have been entitled to receive will be sold and the proceeds will be paid to those shareholders. A U.S. holder who receives cash in respect of a fractional interest in a Deutsche Telekom ADS or Deutsche Telekom ordinary share will recognize gain or loss equal to the difference between the cash received for the fractional share and the U.S. holder's tax basis in the Powertel common

shares exchanged which is allocable to the fractional interest. Any such gain or loss generally will be capital gain or loss, and generally will be long-term capital gain or loss with respect to Powertel common shares held for more than 12 months at the completion of the Deutsche Telekom/Powertel merger.

Merger consideration received by a U.S. holder in exchange for the 0.75% stock dividend permitted by the Deutsche Telekom/Powertel merger agreement likely would be treated the same as other merger consideration, and Deutsche Telekom and Powertel intend to treat it the same as other merger consideration for U.S. federal income tax purposes. It is possible, however, that merger consideration received by a U.S. holder in exchange for the stock dividend could instead be treated as ordinary dividend income that is separately received by the U.S. holder from Deutsche Telekom. In such case, the amount of the dividend generally would be equal to the fair market value of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received in exchange for the stock dividends determined at completion of the Deutsche Telekom/Powertel merger. Further, the U.S. holder's tax basis in such Deutsche Telekom ADSs or Deutsche Telekom ordinary shares would be equal to such fair market value and his holding period generally would begin on the date following the date of completion of the Deutsche Telekom/Powertel merger. In the event that merger consideration received by a U.S. holder in exchange for the stock dividend were treated as separately received by the U.S. holder, that treatment would not affect the status of the merger as a reorganization within the meaning of Section 368(a) of the U.S. tax code.

A U.S. holder who is a "five-percent transferee shareholder" of Deutsche Telekom after the Deutsche Telekom/Powertel merger, as defined in Treasury regulations promulgated under Section 367(a) of the U.S. tax code, will qualify for non-recognition treatment as described in this proxy statement/prospectus only if the shareholder files with the IRS a "gain recognition agreement", as defined in such Treasury regulations. Although no such persons are expected to exist solely as a result of the Deutsche Telekom/Powertel merger, any U.S. holder of Powertel shares who is concerned that he may be a five-percent transferee shareholder is urged to consult his tax advisor concerning the decision to file a gain recognition agreement and the procedures to be followed in connection with that filing.

#### *U.S. Holders of Employee Stock Options*

The exchange pursuant to the Deutsche Telekom/Powertel merger by a U.S. holder of an employee stock option to acquire Powertel common shares for an option to acquire Deutsche Telekom ADSs or Deutsche Telekom ordinary shares will not be taxable for U.S. federal income tax purposes. A U.S. holder of an option to acquire a Deutsche Telekom ADS or Deutsche Telekom ordinary share who received that option in exchange for an option to acquire Powertel common shares that was received as compensation, and who exercises that Deutsche Telekom option, generally will recognize ordinary income for U.S. federal income tax purposes in an amount equal to the excess of the fair market value on the exercise date of the Deutsche Telekom ADS or Deutsche Telekom ordinary share received pursuant to the exercise over the price paid for the Deutsche Telekom ADS or Deutsche Telekom ordinary share pursuant to the option, and generally will be subject to applicable withholding taxes. A U.S. holder's tax basis in Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received as a result of the exercise of the option will equal the fair market value of the shares on the exercise date and a U.S. holder's holding period will begin on the exercise date. Thereafter, the U.S. holder will be subject to the rules discussed below with respect to U.S. holders of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares.

The foregoing discussion does not address the U.S. federal income tax consequences of the exercise of any option that is treated as an incentive stock option within the meaning of Section 422(b) of the U.S. tax code. Any U.S. holder of an option that is treated as an incentive stock option is urged to consult his own tax advisor concerning the consequences to him of the Deutsche Telekom/Powertel merger and exercise of the option.

#### *U.S. Backup Withholding*

Under the U.S. tax code, a U.S. holder of Powertel shares may be subject, under certain circumstances, to backup withholding at a rate of 31% with respect to the amount of cash, if any, received

in the Deutsche Telekom/Powertel merger, including cash received in lieu of fractional shares, unless the U.S. holder provides proof of an applicable exemption or correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not additional tax and may be refunded or credited against the U.S. holder's federal income tax liability, so long as the required information is furnished to the IRS.

#### **U.S. Federal Income Tax Consequences of the Deutsche Telekom/Powertel Merger to U.S. Holders of Powertel Preferred Shares**

Subject to the limitations and qualifications set forth under “— General” and this section, the discussion in this section represents the opinion of Morris, Manning & Martin, LLP, counsel to Powertel, as to the material U.S. Federal income tax consequences of the Deutsche Telekom/Powertel merger to U.S. holders of Powertel preferred shares. Counsel has delivered this opinion, dated the effective date of this proxy statement/prospectus, to Powertel. Furthermore, it is assumed for purposes of the remainder of the discussion in this section that counsel to Powertel will deliver an additional opinion dated as of the completion of the Deutsche Telekom/Powertel merger that satisfies the requirements set forth under “— U.S. Federal Income Tax Consequences of the Deutsche Telekom/Powertel Merger to U.S. Holders of Powertel Common Shares — Tax Opinion Condition to Closing.”

Generally, the tax treatment for a U.S. holder of Powertel preferred shares will be the same as described above for U.S. holders of Powertel common shares. Pursuant to Section 1.05(b)(iv)(B) of the Deutsche Telekom/Powertel merger agreement, however, the holders of Powertel Series E preferred shares and Powertel Series F preferred shares are entitled to additional Deutsche Telekom ADSs or Deutsche Telekom ordinary shares in satisfaction of any accrued or declared but unpaid dividends on the Powertel Series E preferred shares or Powertel Series F preferred shares on the date of the completion of the Deutsche Telekom/Powertel merger. To the extent any accrued dividends on a Powertel stockholder's Powertel Series E preferred shares or Powertel Series F preferred shares have been declared (as distinguished from dividends which have accrued but are undeclared) and remain unpaid upon the completion of the Deutsche Telekom/Powertel merger, the receipt by that Powertel stockholder of Deutsche Telekom ADSs or Deutsche Telekom ordinary shares in satisfaction of those declared but unpaid dividends on its Powertel Series E preferred shares or Powertel Series F preferred shares will be treated as a distribution with respect to that Powertel stockholder's Powertel Series E preferred shares or Powertel Series F preferred shares and will be either taxable to that stockholder, a return of capital to that stockholder, or a combination of both, under Section 301 of the U.S. tax code and the regulations and other authorities promulgated thereunder.

The basis of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received by a holder of Powertel Series E preferred shares or Powertel Series F preferred shares in satisfaction of any declared but unpaid dividends on that stockholder's Powertel Series E preferred shares or Powertel Series F preferred shares will equal the fair market value of such Deutsche Telekom ADSs or Deutsche Telekom ordinary shares on the date of the completion of the Deutsche Telekom/Powertel merger. Further, the basis of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received by a holder of Powertel Series E preferred shares or Powertel Series F preferred shares in exchange for its Powertel preferred shares, and not in satisfaction of any declared but unpaid dividends, will equal the aggregate tax basis of the shares exchanged for the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares, subject to a downward adjustment to the extent that any Deutsche Telekom ADSs or Deutsche Telekom ordinary shares which represent declared but unpaid dividends on a stockholder's Powertel Series E preferred shares or Powertel Series F preferred shares are treated as a return of capital on that stockholder's preferred shares for tax purposes.

The holding period for determining long-term capital gains treatment for any Deutsche Telekom ADSs or Deutsche Telekom ordinary shares received by a holder of Powertel Series E preferred shares or Powertel Series F preferred shares in satisfaction of any declared but unpaid dividends with respect to those shares will commence on the day following the completion of the Deutsche Telekom/Powertel merger.



### *Efforts to Complete the Deutsche Telekom/Powertel Merger*

Powertel and Deutsche Telekom have agreed to:

- use reasonable best efforts to consummate and make effective the Deutsche Telekom/Powertel merger and the other transactions contemplated by the Deutsche Telekom/Powertel merger agreement;
- obtain in a timely manner all necessary consents, permits, approvals or waivers from any governmental or regulatory authority which are necessary for the completion of the Deutsche Telekom/Powertel merger;
- promptly prepare and file all required notifications under U.S. antitrust laws and to comply with any requests for additional information, and obtain termination of any applicable waiting periods or obtain any required approvals as promptly as practicable; and
- take all actions within their control necessary to obtain any required regulatory approvals.

• *Important Exceptions:*

- Neither Deutsche Telekom nor its subsidiaries is required, nor will Powertel or its subsidiaries be permitted, to divest or hold separate or otherwise take or commit to take any action that limits its freedom of action with respect to Powertel, Deutsche Telekom, VoiceStream or any of their subsidiaries, any material portion of their assets or any of their businesses or product lines; and
- In connection with any filing or submission required or action to be taken to consummate the Deutsche Telekom/Powertel merger, Powertel will not, without Deutsche Telekom's prior written consent, commit to divest any assets of the business of Powertel and its subsidiaries if such divested assets and/or businesses are material to the assets or profitability of Powertel and its subsidiaries taken as a whole.

### *Indemnification and Insurance*

The surviving corporation of the Deutsche Telekom/Powertel merger is required by the Deutsche Telekom/Powertel merger agreement to maintain in effect the current provisions regarding indemnification of officers and directors contained in the charter and bylaws and any indemnification agreements of Powertel and each of its subsidiaries.

Prior to the completion of the Deutsche Telekom/Powertel merger, Powertel has the right, subject to Deutsche Telekom's prior written approval, to obtain a "tail" coverage directors' and officers' liability insurance policy providing coverage in amounts and on terms consistent with Powertel's existing insurance for a period of six years after the completion of the Deutsche Telekom/Powertel merger. If Powertel does not obtain this insurance prior to the completion of the Deutsche Telekom/Powertel merger, Deutsche Telekom has agreed to cause the surviving corporation to continue to provide directors' and officers' liability insurance for a period of six years after the completion of the Deutsche Telekom/VoiceStream merger. However, the surviving corporation is not required to expend in any year an amount in excess of 250% of the last annual premium paid by Powertel prior to August 26, 2000. If the aggregate expenditure on coverage exceeds that amount, the surviving corporation will purchase as much insurance as can be obtained for that amount.

### *Employee Benefits*

Following the completion of the Deutsche Telekom/Powertel merger, Deutsche Telekom will take all necessary action so that each current and former Powertel employee who was eligible to participate in a Powertel benefit plan before the Deutsche Telekom/Powertel merger will be eligible to participate in a corresponding employee benefit plan maintained by Deutsche Telekom or its subsidiaries after the Deutsche Telekom/Powertel merger. The Deutsche Telekom/Powertel merger agreement also specifies the

However, if the Powertel board of directors receives a superior proposal before Powertel stockholders approve the Deutsche Telekom/Powertel merger, the Powertel board of directors may inform Powertel stockholders that it no longer recommends approval of the Deutsche Telekom/Powertel merger, if:

- Powertel sends Deutsche Telekom written notice that Powertel has received a superior proposal, which notice describes the terms of the superior proposal and identifies the proposers, and that Powertel intends to change its recommendation regarding the Deutsche Telekom/Powertel merger; and
- five business days have passed since Deutsche Telekom received the notice. In addition, Powertel must give Deutsche Telekom reasonable opportunity to make adjustments in the terms of the Deutsche Telekom/Powertel merger agreement that would enable the Powertel board of directors to maintain its recommendation to approve the Deutsche Telekom/Powertel merger.

The Deutsche Telekom/Powertel merger agreement also permits Powertel to comply with Rule 14d-9 or Rule 14e-2(a) under the Exchange Act or to make any other disclosure to Powertel stockholders if, in the good faith judgment of the Powertel board of directors, after receiving advice from outside counsel, failure to disclose would result in a reasonable likelihood that the Powertel board of directors would breach its duties to Powertel stockholders under applicable law.

*Submission of Deutsche Telekom/Powertel Merger Agreement to Stockholder Vote.* The Deutsche Telekom/Powertel merger agreement requires Powertel to submit the Deutsche Telekom/Powertel merger agreement to a stockholder vote at the Powertel special meeting even if the Powertel board of directors no longer recommends approval of the Deutsche Telekom/Powertel merger.

#### *Additional Agreements*

The Deutsche Telekom/Powertel merger agreement contains a number of other covenants and agreements by or between Powertel and Deutsche Telekom on subjects including:

- filing financial statements with the SEC;
- notification of the occurrence of material facts, events or circumstances;
- obtaining necessary tax opinions and representation letters;
- actions to be taken to cause the Deutsche Telekom/Powertel merger to qualify as a reorganization within the meaning of Section 368(a) of the U.S. tax code and to avoid gain recognition to the stockholders of Powertel in the Deutsche Telekom/Powertel merger under Section 367(a)(1) of the U.S. tax code; and
- taking appropriate actions to attempt to cause the Powertel warrants to be exercised in full prior to the completion of the Deutsche Telekom/Powertel merger to the extent agreed to by Deutsche Telekom and Powertel.

In addition, Deutsche Telekom has agreed to take all steps necessary to cause the new Deutsche Telekom ADSs and Deutsche Telekom ordinary shares to become listed on the NYSE and the Frankfurt Stock Exchange, respectively. Powertel has agreed to the termination of certain existing stockholder agreements.

Deutsche Telekom has additionally agreed to vote its VoiceStream shares in favor of the VoiceStream/Powertel merger.

#### *Senior Discount Notes and Senior Notes*

Deutsche Telekom has also agreed to cause the surviving corporation to commence offers to repurchase certain outstanding publicly-traded notes of Powertel pursuant to the terms of their indentures within 30 days following the completion of the Deutsche Telekom/Powertel merger.

- engage in discussions and negotiations with the persons that made such proposal;

but only if:

- the Powertel board of directors has determined in good faith, after receiving advice from outside counsel, that providing information to the third party or participating in negotiations or discussions could be reasonably expected to result in a superior proposal, which we define below, being made; and
- Powertel is not otherwise in breach of its obligations described above not to solicit or engage in discussions regarding an alternative transaction.

*Important Definitions:*

“alternative transaction” means any of the following:

- a transaction or series of transactions in which any third party would acquire, directly or indirectly, beneficial ownership of more than 20% of the outstanding Powertel shares or pursuant to a tender offer or exchange offer;
- any acquisition of or business combination with Powertel or any of its significant subsidiaries, by a merger or other business combination; or
- any transaction in which any third party would acquire, directly or indirectly, control of assets of Powertel or any of its subsidiaries for consideration equal to 20% or more of the fair market value of all of the outstanding Powertel shares.

An alternative transaction does not include the acquisition of Powertel by VoiceStream pursuant to the VoiceStream/Powertel merger agreement.

“superior proposal” means any proposal made by a third party to enter into an alternative transaction which the Powertel board of directors determines in its good faith judgment, based on, among other things, the advice of a financial advisor of nationally recognized reputation, to be more favorable to Powertel’s stockholders than the Deutsche Telekom/Powertel merger taking into account all relevant factors, including whether, in the good faith judgment of the Powertel board of directors, the third party is reasonably able to finance the proposed transaction.

Powertel also has agreed to notify Deutsche Telekom promptly of any request for information or of any proposal in connection with an alternative transaction, including the material terms of the request or proposal and the identity of the person making it, and Powertel has agreed to keep Deutsche Telekom informed of the status of any alternative transaction. In addition, Powertel agreed to cease any activities, discussions or negotiations with respect to an alternative transaction that existed at the time the Deutsche Telekom/Powertel merger agreement was signed.

*Powertel Board of Directors’ Recommendation*

The Deutsche Telekom/Powertel merger agreement requires the Powertel board of directors:

- to recommend that the Powertel stockholders approve the Deutsche Telekom/Powertel merger agreement;
- not to withdraw, modify or qualify, or to propose publicly to withdraw, modify or qualify, its recommendation in a manner adverse to Deutsche Telekom;
- not to approve or recommend, or to propose publicly to approve or recommend, any alternative transaction; and
- not to cause Powertel to agree to engage in any alternative transactions.

- take action that would reasonably be expected to materially impair or delay obtaining the necessary regulatory approvals to complete the Deutsche Telekom/Powertel merger;
- take any action that would be reasonably likely to prevent or impede the Deutsche Telekom/Powertel merger from qualifying as a reorganization under Section 368(a) of the U.S. tax code or cause the stockholders of Powertel to recognize gain in the Deutsche Telekom/Powertel merger under Section 367(a)(1) of the U.S. tax code;
- take any action that would cause the Powertel common shares to cease to be quoted on the Nasdaq Stock Market;
- during the five business days prior to the completion of the Deutsche Telekom/Powertel merger, take or omit to take any action that could increase the number of Powertel shares outstanding on a fully diluted basis; and
- enter into any contract, agreement or arrangement to do any of the foregoing.

*Covenants of Deutsche Telekom.* Except as contemplated by the Deutsche Telekom/Powertel merger agreement, Deutsche Telekom has agreed that until the Deutsche Telekom/Powertel merger is completed, Deutsche Telekom and its subsidiaries will not take the actions listed in the Deutsche Telekom/Powertel merger agreement, which includes the following actions, without Powertel's prior written consent:

- except for the purpose of using or increasing Deutsche Telekom's authorized capital or as necessary for the conduct of its business, amend or propose to amend the Memorandum and Articles of Association or Management Board Rules of Procedure or other comparable organizational document of Deutsche Telekom in any manner that would be adverse to Powertel or its stockholders;
- take action that would be reasonably likely to prevent or impede the Deutsche Telekom/Powertel merger from qualifying as a reorganization under Section 368(a) of the U.S. tax code or cause Powertel stockholders to recognize gain in the Deutsche Telekom/Powertel merger under Section 367(a)(1) of the U.S. tax code; or
- take action that would reasonably be likely to materially adversely affect or materially adversely delay the ability of the parties to obtain any required regulatory approval or to complete the transactions contemplated by the Deutsche Telekom/Powertel merger agreement.
  - *Important Exception:* Deutsche Telekom may make acquisitions as long as the acquisitions, individually or in the aggregate, are not reasonably likely to prevent the consummation of the Deutsche Telekom/Powertel merger.

#### *Offers for Alternative Transactions*

Powertel has agreed not to, has agreed not to permit any of its subsidiaries to, has agreed not to authorize or permit any of its or their respective officers, directors or employees to, and has agreed to use its reasonable efforts to cause its advisors and representatives not to:

- solicit, initiate or knowingly encourage, or knowingly take any other action designed to facilitate, any alternative transaction, which we define below, to the Deutsche Telekom/Powertel merger; or
- continue or participate in any discussions or negotiations regarding any alternative transaction to the Deutsche Telekom/Powertel merger.

However, if at any time before Powertel stockholders approve the Deutsche Telekom/Powertel merger, Powertel receives an unsolicited proposal for an alternative transaction, then Powertel may, after giving Deutsche Telekom three business days advance notice:

- furnish information with respect to Powertel pursuant to a confidentiality agreement substantially similar to the confidentiality agreement in place between Powertel and Deutsche Telekom; and

- authorize or make capital expenditures other than those for less than the aggregate annual amount contained in Powertel's capital budget for the years 2000 and 2001;
- sell, lease, encumber or otherwise dispose of any of its assets;
- enter into employment or severance agreements with, or establish any new benefit plan, other than in the ordinary course of business consistent with its past practice or amend any existing Powertel benefit plan or take any action inconsistent with the cash bonus, retention bonus, incentive bonus, severance, equity awards and other plans set out in the Deutsche Telekom/Powertel merger agreement, which are described in more detail below;
- increase the compensation or reimbursement allowances payable to an officer or director;
- make any awards under an existing Powertel benefit plan for the benefit of any director, officer or employee, except in the ordinary course of business consistent with past practices;
- except as required by a change in law or U.S. GAAP, make any change in its method of accounting or its fiscal year;
- enter into, modify or amend in any material respect or terminate any material contract or agreement to which Powertel is a party, or waive, release or assign any material rights or claims;
- amend any term of any of its outstanding securities in any material respect;
- adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization;
- incur or guarantee material indebtedness, including refinancing existing indebtedness;
- create, incur, assume or allow to exist material liens upon any property or assets, except for liens arising in the ordinary course of business or to secure indebtedness or arising by operation of law;
- guaranty any indebtedness, leases, dividends or other third party obligations;
- make any loan or capital contributions to or investment in any person, other than loans, capital contributions or investments made in the ordinary course of business, as required in connection with the DiGiPH transaction, or made to wholly-owned subsidiaries;
- enter into any agreement that materially restricts Powertel, or after completion of the Deutsche Telekom/Powertel merger could materially restrict Deutsche Telekom or the surviving corporation from engaging in the business of providing wireless telecommunications services or developing wireless telecommunications technology anywhere in the world, or otherwise from engaging in any other business;
- settle, or propose to settle, any material litigation, investigation, arbitration, proceeding or other claim;
- make any material tax election or enter into any settlement or compromise of any material tax liability;
- take action that could reasonably be expected to make any representation or warranty of Powertel under the Deutsche Telekom/Powertel merger agreement inaccurate and have a material adverse effect on Powertel at the completion of the Deutsche Telekom/Powertel merger;
- adopt, amend or propose to amend any Powertel benefit plans or make any discretionary contributions to any Powertel benefit plan which is also an "employee pension benefit plan" or "employee welfare benefit plan" as defined in the Employee Retirement Income Security Act of 1974, as amended, other than as required by law or as may be required to maintain compliance with the U.S. tax code and except for other limited exceptions;
- file any amended tax returns if the result would be a material increase in Powertel's tax liability;

- material contracts; and
- absence of affiliate transactions.

In addition, the Deutsche Telekom/Powertel merger agreement contains representations and warranties made by the merger subsidiary to Powertel regarding some of the above matters.

*Conduct of Business Pending the Deutsche Telekom/Powertel Merger*

*Covenants of Powertel.* Except as contemplated by the Deutsche Telekom/Powertel merger agreement or the VoiceStream/Powertel merger agreement, Powertel has agreed that, until the earlier of the completion of the Deutsche Telekom/Powertel merger or the termination of the Deutsche Telekom/Powertel merger agreement, it will carry on its and its subsidiaries' business in the ordinary course in all material respects. Until the Deutsche Telekom/Powertel merger is completed or the Deutsche Telekom/Powertel merger agreement is terminated, Powertel and its subsidiaries will not take the actions listed in the Deutsche Telekom/Powertel merger agreement, which includes the following actions, without Deutsche Telekom's prior written consent, except under limited exceptions specified in the Deutsche Telekom/Powertel merger agreement:

- declare, set aside or pay dividends on, or make distributions in respect of, Powertel shares or split, combine or reclassify any outstanding Powertel shares;
- redeem or repurchase any Powertel shares, except as required by Powertel's certificate of incorporation or the Powertel stock option plans;
- issue, deliver, pledge, sell or encumber any Powertel shares or any options or other rights to acquire those shares;

- *Important Exception:*

- Powertel may issue Powertel common shares upon the closing of the acquisition of substantially all of the assets of DiGiPH PCS, Inc. and its affiliates by Eliska Wireless Ventures, which in this document we refer to as the "DiGiPH transaction," and the performance of the agreements entered into in connection with the DiGiPH transaction, including the stock purchase agreement between Powertel and Sonera Holding B.V., the put agreement dated May 30, 2000 between Powertel, Eliska Wireless Investors and Sonera Holding B.V. and the put agreement dated May 30, 2000 between Powertel and Sonera Holding B.V.; or otherwise pursuant to previously disclosed contractual obligations existing prior to the execution of the Deutsche Telekom/Powertel merger agreement; and
- Powertel may issue rights to acquire Powertel shares and may issue shares pursuant to such rights for an aggregate of 575,000 Powertel common shares pursuant to annual incentive grants, grants to newly hired employees and grants to be made pursuant to the DiGiPH transaction;

- adopt, amend or propose to amend any stockholder rights plan or related rights plan;
- acquire any business, corporation or partnership, or substantially all of the assets of any of the foregoing;

- *Important Exceptions:*

- Powertel is permitted to enter into acquisition transactions which involve individually, or in the aggregate, a purchase price of \$500,000 or less without Deutsche Telekom's consent;
- Powertel is permitted to make capital expenditures in accordance with its capital budget for the fiscal years 2000 and 2001; and
- Powertel may enter into transactions in connection with the DiGiPH transaction;

maximum number of Powertel common shares subject to the Powertel stock option by the Powertel common share exchange ratio, rounded if necessary to the nearest whole Deutsche Telekom ordinary share. The Powertel common share exchange ratio is subject to adjustment as described under “— Consideration To Be Received in the Deutsche Telekom/Powertel Merger.” The exercise price per Deutsche Telekom ordinary share for each of these options will be the exercise price per Powertel common share applicable to that option immediately prior to the completion of the Deutsche Telekom/Powertel merger divided by the common share exchange ratio. The replacement options will generally have the same terms and conditions as were applicable under the Powertel option plans.

*Powertel Restricted Stock.* At the time the Deutsche Telekom/Powertel merger is completed, the Powertel restricted stock plan will terminate and any unvested Powertel restricted stock awards will become fully vested, except as otherwise provided in the individual restricted stock award agreements.

#### *Dissenting Shares*

If appraisal rights for any Powertel preferred shares are perfected by any holder of preferred shares, then those shares will be treated as described under “The Deutsche Telekom/Powertel Merger and the VoiceStream/Powertel Merger — Appraisal Rights.”

#### *Representations and Warranties*

The Deutsche Telekom/Powertel merger agreement contains a number of representations and warranties made by Powertel and Deutsche Telekom to each other, including those regarding:

- due organization, good standing and qualification;
- capital structure;
- corporate authority to enter into the Deutsche Telekom/Powertel merger agreement and lack of conflicts with corporate governance documents, contracts or laws;
- governmental filings;
- accuracy of SEC reports, financial statements and information provided for inclusion in this document and certain other filings by the parties;
- absence of certain material changes or events since December 31, 1999;
- permits and licenses;
- compliance with laws;
- tax matters, including the absence of facts inconsistent with the qualification of the Deutsche Telekom/Powertel merger as a reorganization under Section 368(a) of the U.S. tax code;
- absence of undisclosed liabilities and pending litigation;
- finders' or brokers' fees; and
- the vote necessary to approve the Deutsche Telekom/Powertel merger agreement.

In addition, Powertel made representations and warranties to Deutsche Telekom as to:

- employee benefit plans;
- employees and employment practices;
- Section 203 of the Delaware General Corporation Law and other anti-takeover laws enacted under Georgia or Delaware law applicable to Powertel;
- intellectual property;
- the receipt of a fairness opinion from a financial advisor;

The escrow agent will exchange certificates representing Powertel shares for American depositary receipts representing Deutsche Telekom ADSs or, if a Powertel stockholder properly elects, certificates representing Deutsche Telekom ordinary shares. The letter of transmittal mailed to Powertel stockholders will contain an "ordinary share election" form which can be used by a stockholder to elect to receive merger consideration in Deutsche Telekom ordinary shares.

After a record holder of Powertel shares delivers certificates for those shares and a properly completed letter of transmittal to the escrow agent, the escrow agent will deliver to the holder:

- the number of whole Deutsche Telekom ADSs or Deutsche Telekom ordinary shares included in the merger consideration in respect of such Powertel shares; and
- after giving effect to any required tax withholdings, a check in the amount of:
  - cash in lieu of any fractional interest in Deutsche Telekom ADSs or Deutsche Telekom ordinary shares on the terms described below, plus
  - any cash dividends or other distributions that the holder has the right to receive, including dividends or other distributions payable with respect to the holders of Deutsche Telekom ADSs or Deutsche Telekom ordinary shares with a record date after the completion of the Deutsche Telekom/Powertel merger and a payment date on or before the date the holder properly delivers Powertel stock certificates to the escrow agent.

The escrow agent will not deliver fractional Deutsche Telekom ADSs or fractional Deutsche Telekom ordinary shares in connection with the Deutsche Telekom/Powertel merger. Instead, each holder of Powertel shares exchanged in the Deutsche Telekom/Powertel merger who would otherwise have received a fraction of a Deutsche Telekom ADS or Deutsche Telekom ordinary share will be entitled to receive a cash payment representing that holder's proportionate interest in the net proceeds from the sale by the escrow agent of the aggregate of the fractions of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares that would otherwise be issued. The escrow agent will execute the sale of those Deutsche Telekom ADSs and Deutsche Telekom ordinary shares on the NYSE and the Frankfurt Stock Exchange, respectively. Deutsche Telekom will pay all commissions, transfer taxes and out-of-pocket costs, including the expenses and compensation of the escrow agent, incurred in connection with the sale of the Deutsche Telekom ADSs and Deutsche Telekom ordinary shares.

Powertel shares that are surrendered to the escrow agent will be canceled. No interest will be paid or accrued on any amount payable to holders of Powertel shares. In addition, no holder of Powertel shares will receive any dividends or other distributions with respect to Deutsche Telekom ADSs or Deutsche Telekom ordinary shares to which the holder is entitled under the Deutsche Telekom/Powertel merger agreement until that holder's Powertel stock certificate is surrendered to the escrow agent with a properly completed letter of transmittal.

If any Deutsche Telekom ADSs or Deutsche Telekom ordinary shares are to be delivered to a person other than the registered holder of the Powertel shares represented by the certificates surrendered to the escrow agent:

- those Powertel stock certificates must be properly endorsed or otherwise be in proper form for transfer; and
- the person requesting the delivery must pay to the escrow agent any transfer or other taxes required as a result of delivery to a person other than the registered holder, or establish to the satisfaction of the escrow agent that such tax has been paid or is not payable.

#### *Treatment of Powertel Options and Restricted Stock*

**Powertel Options.** If the Deutsche Telekom/Powertel merger is completed, each outstanding Powertel stock option will be converted into an option to acquire, from a trust established for the benefit of holders of Powertel stock options, that number of Deutsche Telekom shares determined by multiplying the



*Other Potential Adjustments.* The amount and form of the merger consideration will be adjusted in the event that before the completion of the Deutsche Telekom/Powertel merger:

- a reclassification, split-up, stock-split, reverse stock-split, stock dividend, stock combination, recapitalization, redenomination of share capital, merger or similar transaction or an exchange offer causes a change to the Deutsche Telekom ordinary shares outstanding, or the number of Deutsche Telekom ordinary shares represented by a Deutsche Telekom ADS is changed; or
- all of the outstanding Deutsche Telekom ordinary shares, or more than 80% of the outstanding Deutsche Telekom ordinary shares pursuant to an exchange offer for all outstanding Deutsche Telekom shares, are changed into or exchanged for a different number or kind of shares of Deutsche Telekom, or into shares of another entity owning more than 80% of the Deutsche Telekom ordinary shares.

For example, if prior to completion of the Deutsche Telekom/Powertel merger, Deutsche Telekom, in order to facilitate future acquisitions, were to establish a new German holding company that acquired through an exchange offer more than 80% of the outstanding Deutsche Telekom shares, holders of Powertel common shares would receive shares of the new holding company instead of Deutsche Telekom shares in the Deutsche Telekom/Powertel merger.

#### *Treatment of Powertel Warrants*

If any of the warrants granted pursuant to the warrant agreement dated February 7, 1996 between Powertel and Bankers Trust Company, as warrant agent, have not been exercised before the Deutsche Telekom/Powertel merger becomes effective and a holder of warrants becomes entitled, upon exercise of the warrants, to the merger consideration at any time after the Deutsche Telekom/Powertel merger, any Deutsche Telekom ordinary shares to which such holder becomes entitled will be issued from a special trust established for the benefit of such warrant holders. Any cash to which such holder becomes entitled will be paid by Deutsche Telekom.

#### *Treatment of Eliska Put Rights*

If Sonera Holding B.V. or Eliska Wireless Investors, who we collectively refer to as the “Eliska Partners,” receive Powertel common shares before the Deutsche Telekom/Powertel merger is completed as a result of exercising their rights to exchange interests in an affiliate of Eliska Wireless for Powertel common shares, such Eliska Partners will have all the rights with respect to those Powertel common shares which a Powertel stockholder has.

To the extent that any of the Eliska Partners has not received Powertel common shares before the Deutsche Telekom/Powertel merger is completed in respect of their exchange rights, those Eliska Partners will be entitled to receive the consideration that they are entitled to receive pursuant to their exchange rights.

To the extent that any of the Eliska Partners are entitled to receive Deutsche Telekom shares on or after the date the Deutsche Telekom/Powertel merger is completed, the Deutsche Telekom shares will be delivered from a special trust established for the benefit of such Eliska Partners, and any cash to which such Eliska Partners become entitled will be paid by Deutsche Telekom.

#### *Election and Exchange of Certificates Representing Powertel Shares*

Deutsche Telekom will appoint an escrow agent to serve in connection with the Deutsche Telekom/Powertel merger. Shortly after the Deutsche Telekom/Powertel merger is completed, Deutsche Telekom and Powertel intend to mail, or cause the escrow agent to mail, to each registered holder of Powertel common shares and Powertel preferred shares a letter of transmittal which the holder must properly complete and deliver to the escrow agent with the holder's stock certificates.

- Step 2. Derive the adjustment factor: The adjustment factor is a fraction (a) the numerator of which is 55,742,000, as it may be adjusted in accordance with the Deutsche Telekom/Powertel merger agreement, and (b) the denominator of which is the adjusted fully diluted shares amount.
- Step 3. Derive the adjusted exchange ratios: Each exchange ratio will be reduced by multiplying such exchange ratio by the adjustment factor.
- Step 4. Derive the adjusted stock consideration: Each outstanding Powertel common share, each Powertel common share issuable upon the exercise of outstanding Powertel warrants and Powertel stock options and each Powertel preferred share will then be converted in the Deutsche Telekom/Powertel merger into the right to receive a number of Deutsche Telekom shares equal to the adjusted exchange ratio calculated pursuant to Step 3.

*Example.* If the adjusted fully diluted shares amount exceeds 55,742,000, as it may be adjusted in accordance with the Deutsche Telekom/Powertel merger agreement, we would calculate the number of Deutsche Telekom shares into which each Powertel share will be converted as illustrated above. Assuming that the adjusted fully diluted shares amount is 55,795,000, then the adjustment factor would be 0.9991. If you own 100 Powertel common shares under these circumstances, you would receive the amount of Deutsche Telekom shares equal to 2.6353 multiplied by 0.9991, multiplied by the number of shares you hold, or 100, for a total of 263 shares, plus cash for 0.29 of a Deutsche Telekom share.

Powertel stockholders will not receive fractional Deutsche Telekom shares and instead will receive a cash payment representing the net proceeds from the sale of the fractional Deutsche Telekom shares. The treatment of fractional Deutsche Telekom shares is described under “— Election and Exchange of Certificates Representing Powertel Shares.”

#### *Adjustment in Connection with Permitted Dividends*

Under the Deutsche Telekom/Powertel merger agreement, Powertel may declare and pay before the completion of the Deutsche Telekom/Powertel merger a stock dividend of not more than 0.0075 of a Powertel common share for each Powertel common share outstanding. The conversion or exercise terms of Powertel's or its subsidiaries' options, warrants, preferred securities or other rights or securities convertible into Powertel common shares will be adjusted according to the terms of the documents governing those securities.

If Powertel declares and pays a stock dividend of 0.0075 of a Powertel common share for each outstanding Powertel common share prior to the completion of the Deutsche Telekom/Powertel merger, the exchange ratios of the Powertel preferred shares will be adjusted as follows:

- Holders of Powertel's Series A preferred shares and Series B preferred shares will receive 122.8439 Deutsche Telekom shares for each of their Powertel Series A preferred shares and Series B preferred shares.
- Holders of Powertel's Series D preferred shares will receive 93.7082 Deutsche Telekom shares for each of their Powertel Series D preferred shares.
- Holders of Powertel's Series E preferred shares and Series F preferred shares will receive 180.9449 Deutsche Telekom shares for each of their Powertel Series E preferred shares and Series F preferred shares, plus a number of Deutsche Telekom shares equal to the product of:
  - the number of Powertel common shares representing accrued or declared but unpaid dividends on each Powertel Series E or Series F preferred share, calculated as if the date of the completion of the Deutsche Telekom/Powertel merger were a dividend payment date multiplied by
  - the common share exchange ratio.

outstanding Powertel preferred shares, options and warrants are based on the number of Deutsche Telekom shares a holder of those Powertel preferred shares, options or warrants would have received in the Deutsche Telekom/Powertel merger had such holder converted its Powertel preferred shares into Powertel common shares or exercised its Powertel options or warrants for Powertel common shares on the date of the Deutsche Telekom/Powertel merger agreement. As discussed more fully below, the exchange ratio with respect to a particular class of Powertel shares, options or warrants is a fixed number of Deutsche Telekom shares, but is subject to adjustments.

You will receive Deutsche Telekom shares in the form of Deutsche Telekom ADSs, which trade principally on the NYSE under the symbol "DT", or, if you prefer, in the form of Deutsche Telekom ordinary shares, which are traded on the Frankfurt Stock Exchange under the symbol "DTE".

*Adjustments to Exchange Ratios if Maximum Share Amount is Exceeded.* Each exchange ratio was determined assuming that at the time the Deutsche Telekom/Powertel merger is completed, the aggregate number of Powertel common shares outstanding on a fully diluted basis and adjusted for specific commitments to issue Powertel common shares, excluding Powertel common shares issuable as dividends after August 26, 2000 on Series E preferred shares and Series F preferred shares, will not exceed the "maximum share amount." In this document we refer to this aggregate number of Powertel common shares as the "adjusted fully diluted shares amount." The maximum share amount is 55,742,000 or, if the stock dividend permitted under the Deutsche Telekom/Powertel merger agreement is paid, 56,160,000, and may be reduced as set forth in the Deutsche Telekom/Powertel merger agreement. Each exchange ratio is subject to adjustment in the event that the adjusted fully diluted shares amount as of the date the Deutsche Telekom/Powertel merger is completed exceeds the maximum share amount. In the event of an adjustment, the effect will be to cap the number of Deutsche Telekom shares that will be issued in the Deutsche Telekom/Powertel merger and to reduce the number of Deutsche Telekom shares to be received by Powertel stockholders, optionholders and warrantholders in the Deutsche Telekom/Powertel merger in exchange for each of their Powertel common shares or Powertel preferred shares, as the case may be. We illustrate below how the adjustment mechanism will be used.

- Step 1. Derive the adjusted fully diluted shares amount: The adjusted fully diluted shares amount is the sum of the number of outstanding Powertel common shares, less the number of shares issuable as dividends after August 26, 2000 on the Series E preferred shares and Series F preferred shares, plus
  - the number of Powertel common shares issuable upon conversion of the Powertel preferred shares;
  - the number of Powertel common shares issuable pursuant to the exercise of Powertel stock options and Powertel warrants;
  - the number of Powertel common shares issuable pursuant to Powertel restricted stock awards;
  - the number of Powertel common shares issuable pursuant to the exercise of the put rights held by Sonera Holding B.V. and Eliska Wireless Investors, unless such rights have been terminated;
  - the number of Powertel common shares issuable pursuant to the stock purchase agreement between Powertel and Sonera Holding B.V., unless this stock purchase agreement has been terminated;
  - the number of Powertel common shares issuable pursuant to the exercise of any stock appreciation rights, phantom stock rights or other contractual rights the value of which is determined in whole or in part by the value of any Powertel shares; and
  - the number of any other Powertel common shares outstanding and Powertel common shares issuable pursuant to any other securities outstanding, which are convertible into, or exercisable or exchangeable for, Powertel common shares.

## SUMMARY OF DEUTSCHE TELEKOM/POWERTEL AND VOICESTREAM/POWERTEL TRANSACTION DOCUMENTS

### **The Deutsche Telekom/Powertel Merger Agreement**

The following is a summary of the material provisions of the Deutsche Telekom/Powertel merger agreement. This summary is qualified in its entirety by reference to the Deutsche Telekom/Powertel merger agreement, a copy of which is attached as Annex B to this proxy statement/prospectus and incorporated herein by reference. Powertel stockholders are urged to read the Deutsche Telekom/Powertel merger agreement in its entirety, as it is the legal document governing the Deutsche Telekom/Powertel merger.

#### *The Deutsche Telekom/Powertel Merger*

A Delaware corporation formed by Deutsche Telekom will merge with and into Powertel, and, as a result, Powertel will become a wholly-owned subsidiary of Deutsche Telekom.

#### *Effective Time and Timing of Closing*

The Deutsche Telekom/Powertel merger will be completed and become effective when Powertel files a certificate of merger with the Secretary of State of the State of Delaware or at such later time as is specified in the certificate of merger in accordance with Delaware law. We expect the Deutsche Telekom/Powertel merger to become effective on the same day as the closing of the Deutsche Telekom/Powertel merger. The closing of the Deutsche Telekom/Powertel merger will take place on the later of:

- May 31, 2001; and
- the fifth business day after the conditions to the Deutsche Telekom/Powertel merger have been satisfied or waived, or on such other date as Deutsche Telekom and Powertel may agree.

In addition, on the closing date of the Deutsche Telekom/Powertel merger or as soon as possible after the closing date, Deutsche Telekom and Powertel will undertake a number of additional actions, including making filings with regulatory and stock exchange authorities, necessary to permit the issuance of the merger consideration under German laws and regulations and the rules of the Frankfurt Stock Exchange.

#### *Consideration To Be Received in the Deutsche Telekom/Powertel Merger*

In the Deutsche Telekom/Powertel merger, holders of Powertel common shares will receive 2.6353 Deutsche Telekom shares for each of their Powertel common shares. We refer to the number of Deutsche Telekom shares to be received for each Powertel common share as the "common share exchange ratio". Holders of Powertel's Series A preferred shares and Series B preferred shares will receive 121.9294 Deutsche Telekom shares for each of their Powertel Series A preferred shares and Series B preferred shares. Holders of Powertel's Series D preferred shares will receive 93.0106 Deutsche Telekom shares for each of their Powertel Series D preferred shares. Holders of Powertel's Series E preferred shares and Series F preferred shares will receive 179.5979 Deutsche Telekom shares for each of their Powertel Series E preferred shares and Series F preferred shares, plus a number of Deutsche Telekom shares equal to the product of:

- the number of Powertel common shares representing accrued or declared but unpaid dividends on each Powertel Series E or Series F preferred share, calculated as if the date of the completion of the Deutsche Telekom/Powertel merger were a dividend payment date multiplied by
- the common share exchange ratio.

All of the exchange ratios described above are subject to adjustments as described below. We refer to the number of Deutsche Telekom shares a Powertel stockholder, optionholder or warrant holder will receive in the Deutsche Telekom/Powertel merger in exchange for its Powertel common shares, preferred shares, warrants or options, as the case may be, as an "exchange ratio". The exchange ratios applicable to the

- (8) Two members designated by Deutsche Telekom and its affiliated entities, subject to the approval of VoiceStream, which approval may not be unreasonably withheld, so long as the Deutsche Telekom entities beneficially own at least 9,800,000 VoiceStream common shares. If Deutsche Telekom beneficially owns at least 4,500,000 VoiceStream common shares but less than 9,800,000 VoiceStream common shares, Deutsche Telekom will be entitled to designate only one director;
- (9) The then President of VoiceStream;
- (10) The then Vice Chairman of VoiceStream; and
- (11) The remaining members, if any, of the board to be selected by a majority of the persons designated as described in (1), (2), (4), (9) and (10) above.

In connection with the VoiceStream/Powertel merger, the largest of VoiceStream's principal stockholders, including Deutsche Telekom, entered in agreements, described in more detail under "Summary of Deutsche Telekom/Powertel and VoiceStream/Powertel Transaction Documents — VoiceStream's Agreements with Stockholders of Powertel," providing that the stockholders who are parties to those agreements will vote the VoiceStream common shares, or in the case of Deutsche Telekom, voting preferred shares, they own in favor of the election to the VoiceStream board of directors of one nominee chosen by Powertel and acceptable to VoiceStream. These agreements will not be effective until the Deutsche Telekom/VoiceStream merger is terminated and the VoiceStream/Powertel merger is completed.

#### **Agreements with Joint Venture Partners of VoiceStream**

In connection with the execution of the Deutsche Telekom/VoiceStream merger agreement, Deutsche Telekom and VoiceStream entered into agreements with some of VoiceStream's joint venture partners. We summarize the material terms of these agreements below, and this summary is qualified in its entirety by reference to the text of the agreements summarized, copies of which have been filed as exhibits to Deutsche Telekom's and VoiceStream's respective registration statements and are incorporated herein by reference.

Under agreements with two wholly-owned subsidiaries of Cook Inlet Region, Inc., with affiliates of Providence Equity Partners Inc. and with SSPCS Corporation, Deutsche Telekom agreed to assume on the date the Deutsche Telekom/VoiceStream merger is completed various VoiceStream obligations relating to Cook Inlet Region's, Providence's and SSPCS' rights to exchange certain partnership and limited liability company interests for VoiceStream common shares. The subsidiaries of Cook Inlet Region and SSPCS exchanged their interests for VoiceStream common shares in December 2000. In connection with the exchange, Cook Inlet Region entered into a separate voting agreement, to vote the VoiceStream common shares it acquired as a result of this exchange in favor of the Deutsche Telekom/VoiceStream merger.

In connection with the Deutsche Telekom/VoiceStream merger agreement, Providence also entered into an agreement with VoiceStream and Western Wireless amending an existing agreement under which Providence had a right to exchange certain partnership interests for Western Wireless common shares. In the new agreement, VoiceStream and Western Wireless agreed to purchase for \$20 million Providence's right to exchange for Western Wireless common shares and granted Providence the right to exchange its partnership interests for 321,334 VoiceStream common shares. Providence also entered into an exchange rights agreement with VoiceStream that amended a prior agreement pursuant to which Providence had the right to exchange its membership interest in a certain limited liability company into a variable number of VoiceStream common shares, based on the fair market value of Providence's membership interest at the time of the exchange. The new exchange rights agreement fixes the number of VoiceStream common shares Providence would receive for its limited liability company interest at 4,000,000 VoiceStream common shares.

its shares on up to eight occasions as long as each occasion relates to registration of shares having a minimum aggregate sales price of \$25 million. Deutsche Telekom may make no more than two demands in any 12-month period. Deutsche Telekom also has the right to an unlimited number of piggyback registrations, subject to customary cutback provisions.

### **First Amended and Restated Voting Agreement**

The principal stockholders of VoiceStream are parties to an existing agreement which governs their voting of VoiceStream securities. In connection with Deutsche Telekom's agreement to purchase VoiceStream voting preferred shares, the parties to the existing voting agreement and Deutsche Telekom entered into the First Amended and Restated Voting Agreement, dated as of July 23, 2000. On December 27, 2000, TDS assigned to TDSI, its wholly-owned subsidiary, and TDSI assumed, the existing voting agreement and the amended voting agreement. The amended voting agreement will become effective if Deutsche Telekom converts all of its VoiceStream voting preferred shares into VoiceStream common shares, which can only happen if the Deutsche Telekom/VoiceStream merger agreement is terminated. We summarize the material terms of the amended voting agreement below, and this summary is qualified in its entirety by reference to the text of the agreement, a copy of which has been filed as an exhibit to Deutsche Telekom's and VoiceStream's respective registration statements and is incorporated herein by reference.

The amended voting agreement will provide that the parties will agree to vote their VoiceStream common shares for the election of a VoiceStream board of directors consisting of 19 members, subject to adjustments, designated as follows:

- (1) Mr. Stanton, as long as he is the chief executive officer of VoiceStream;
- (2) One member designated by Mr. Stanton, so long as he, or entities affiliated with him, beneficially owns at least 4,500,000 VoiceStream common shares;
- (3) Four members designated by Hutchison PCS (USA) and its affiliated entities, which may be increased or decreased depending upon increases or reductions in Hutchison PCS (USA)'s percentage ownership of outstanding VoiceStream common shares, including VoiceStream common shares issuable to Hutchison PCS (USA) upon conversion of VoiceStream's 2.5% convertible junior preferred shares;
- (4) One member designated by The Goldman Sachs Group, Inc. and its affiliated entities, so long as the Goldman Sachs entities beneficially own at least 4,500,000 VoiceStream common shares;
- (5) Four members who were members of the Omnipoint board of directors prior to VoiceStream's acquisition of Omnipoint and who were selected by Omnipoint to serve during the period from the completion of the Omnipoint acquisition until the second annual meeting of stockholders of VoiceStream following the completion of VoiceStream's acquisition of Omnipoint. Omnipoint has designated the following persons to serve as directors: Douglas G. Smith, Richard L. Fields, James N. Perry, Jr. and James J. Ross;
- (6) One member designated by Sonera Corporation and its affiliated entities, subject to the approval of VoiceStream, which approval may not be unreasonably withheld, so long as Sonera Corporation entities beneficially own at least 4,500,000 VoiceStream common shares. If Sonera Corporation beneficially owns more than 9,800,000 VoiceStream common shares and Telephone & Data Systems beneficially owns less than 4,500,000 VoiceStream common shares, Sonera Corporation will be entitled to designate two directors;
- (7) One member designated by Telephone & Data Systems and its affiliated entities who is not affiliated with Telephone & Data Systems, subject to the approval of VoiceStream, which approval may not be unreasonably withheld, so long as the Telephone & Data Systems entities beneficially own at least 4,500,000 VoiceStream common shares. If Telephone & Data Systems beneficially owns more than 9,800,000 VoiceStream common shares and Sonera Corporation beneficially owns less than 4,500,000 VoiceStream common shares, Telephone & Data Systems will be entitled to designate two directors;

- solicit proxies with respect to the VoiceStream voting securities or become a participant in any election contest relating to the election of directors of VoiceStream; or
- act in concert with any person for the purpose of effecting a transaction which would result in a change of control of VoiceStream.

The standstill provisions described above do not apply to the Deutsche Telekom/VoiceStream merger and do not apply in the following specific circumstances:

- if any person acquires or makes a bona fide offer to acquire voting securities of VoiceStream which, when added to the number of voting securities already owned by such person, exceeds or would exceed the threshold percentage; or
- if Deutsche Telekom makes a tender offer for, or acquires, VoiceStream voting securities, with the approval of a majority of the directors of VoiceStream who are not Deutsche Telekom designees.

“Standstill termination event” means the date on which the first of the following occurs:

- Deutsche Telekom and its affiliates beneficially own less than 5% or more than 90% of the outstanding voting securities of VoiceStream; or
- the acquisition, by a party other than Deutsche Telekom or its affiliates, of more than 50% of the VoiceStream voting securities, a sale of substantially all the assets of VoiceStream or the liquidation or dissolution of VoiceStream.

“Threshold percentage” means, subject to adjustment:

- 33% from the date of the investor agreement until the second anniversary of the closing of the subscription agreement;
- 36% from the second anniversary of the closing of the subscription agreement until the third anniversary of the closing of the subscription agreement; and
- 40% from the third anniversary of the closing of the subscription agreement until the fifth anniversary of the closing of the subscription agreement.

*Transfer Restrictions.* Unless the Deutsche Telekom/VoiceStream merger agreement is terminated before the Deutsche Telekom/VoiceStream merger is completed, Deutsche Telekom and its affiliates may not transfer any VoiceStream voting preferred shares. Deutsche Telekom may sell or transfer any VoiceStream common shares it owns, including shares acquired on conversion of voting preferred shares, as follows:

- Deutsche Telekom may transfer its VoiceStream common shares, but not its rights and obligations under the investor agreement, to any buyer or transferee; or
- Deutsche Telekom may transfer its VoiceStream common shares together with its rights and obligations under the investor agreement to any transferee that is more than 40% owned by Deutsche Telekom, of which Deutsche Telekom and its affiliates are the largest shareholder and which agrees to be bound by the investor agreement, or to any other transferee if a majority of the directors of VoiceStream who are not Deutsche Telekom designees approve the transfer.

*Partial Pre-emptive Rights.* If VoiceStream proposes to issue any voting equity securities, Deutsche Telekom will have the right to purchase a portion of those securities up to the percentage, calculated on a fully diluted basis, of VoiceStream common shares owned by Deutsche Telekom at the time of the proposed offering, on the terms and conditions VoiceStream proposes to offer those securities to other persons. Deutsche Telekom’s preemptive rights do not apply to an issuance of equity securities by VoiceStream in connection with a stock dividend, merger, employee stock option or public offering.

*Registration Rights.* VoiceStream has granted registration rights to Deutsche Telekom with respect to any VoiceStream common shares Deutsche Telekom acquires on conversion of the VoiceStream voting preferred shares or otherwise. If the Deutsche Telekom/VoiceStream merger agreement is terminated, then beginning 45 days after termination Deutsche Telekom will have the right to demand registration of

share will therefore be convertible into eight VoiceStream common shares or an aggregate of 31,250,000 VoiceStream common shares.

*Voting Rights.* Holders of the VoiceStream voting preferred shares are entitled to vote together with holders of VoiceStream common shares and not as a separate class. Each VoiceStream voting preferred share is entitled to one vote. The affirmative vote of the holders of a majority of the outstanding VoiceStream voting preferred shares is necessary to adopt any amendment that will change the powers, preferences or rights of the voting preferred shares.

*Dividends.* The holders of the VoiceStream voting preferred shares are entitled to receive dividends and other distributions made by VoiceStream on its capital stock to the same extent and at the same rate as dividends or distributions made in respect of VoiceStream common shares, on an as-converted-to-common shares basis.

*Redemption at Option of VoiceStream.* VoiceStream may redeem the VoiceStream voting preferred shares at any time on or after December 31, 2020 at a price of \$1,280 per share, subject to adjustment for stock splits or other comparable transactions with respect to the VoiceStream voting preferred shares. However, VoiceStream will not be permitted to redeem the VoiceStream voting preferred shares if VoiceStream is insolvent, will be rendered insolvent by the redemption, or is prohibited by law or agreement from redeeming the VoiceStream voting preferred shares.

*Redemption at Option of Holder.* Any holder of VoiceStream voting preferred shares may require VoiceStream to redeem all of the VoiceStream voting preferred shares owned by the holder at any time within the six months following December 31, 2030 at a price of \$1,280 per share, subject to adjustment for stock splits or other comparable transactions with respect to the VoiceStream voting preferred shares. However, VoiceStream will not be permitted to redeem the VoiceStream voting preferred shares if VoiceStream is insolvent, will be rendered insolvent by the redemption, or is prohibited by law or agreement from redeeming the VoiceStream voting preferred shares.

*Transfer Restriction.* Unless the Deutsche Telekom/VoiceStream merger agreement is terminated, VoiceStream voting preferred shares are only transferable to a controlled subsidiary of the holder.

*Rank.* This new class of voting preferred shares will, with respect to rights on liquidation or dissolution, rank senior to VoiceStream's common shares and the 2½% convertible junior preferred shares and junior to any series or class of VoiceStream's preferred shares.

#### *Stock Subscription Agreement*

The stock subscription agreement provides that, for so long as Deutsche Telekom owns any of the VoiceStream voting preferred shares. Deutsche Telekom agrees that if it takes any action which would cause VoiceStream to exceed the broadband Commercial Mobile Radio Service spectrum aggregation limits under U.S. federal communications laws, it will take appropriate remedial action, including causing its designee, if it has one, to resign from the VoiceStream board of directors and/or disposing of shares of VoiceStream common shares or voting preferred shares.

#### *Investor Agreement*

In connection with Deutsche Telekom's agreement to purchase VoiceStream voting preferred stock, VoiceStream and Deutsche Telekom have entered into an Investor Agreement, dated as of July 23, 2000, which became effective on September 6, 2000, when Deutsche Telekom first purchased such shares.

*Standstill.* Under the investor agreement, unless a standstill termination event, which is described below, has occurred, until the fifth anniversary of the investor agreement, Deutsche Telekom and its affiliates may not do the following, subject to certain exceptions described below:

- acquire or agree to acquire any VoiceStream voting securities which would increase Deutsche Telekom's voting power above the threshold percentage described below;



Moreover, in a letter agreement dated September 19, 2000, Telephone & Data Systems and Deutsche Telekom agreed to procedures concerning Deutsche Telekom's delivery of the consideration to be paid to VoiceStream stockholders in the Deutsche Telekom/VoiceStream merger. Deutsche Telekom agreed to take all action reasonably possible to expedite the steps necessary to issue the Deutsche Telekom ordinary shares in the Deutsche Telekom/VoiceStream merger and list those Deutsche Telekom shares on the Frankfurt Stock Exchange on or promptly after the completion of the Deutsche Telekom/VoiceStream merger. Deutsche Telekom further agreed to use its reasonable best efforts to deliver the cash portion of the merger consideration to the escrow agent prior to or immediately after the completion of the Deutsche Telekom/VoiceStream merger in immediately available funds and to cause the escrow agent to release the aggregate cash consideration payable in the Deutsche Telekom/VoiceStream merger, including the cash payable to Telephone & Data Systems, promptly upon the registration of the increase of Deutsche Telekom share capital. If possible, Deutsche Telekom will cause the cash consideration to be released on the date the Deutsche Telekom/VoiceStream merger is completed or, if this is not possible, as promptly as possible thereafter. Deutsche Telekom also agreed to instruct the escrow agent to release the share certificates for Deutsche Telekom ADSs and Deutsche Telekom ordinary shares to be issued in the Deutsche Telekom/VoiceStream merger no later than one business day after registration of the Deutsche Telekom capital increase. In addition, Deutsche Telekom agreed to use its reasonable best effects to cause the escrow agent to deliver such certificates to Telephone & Data Systems.

On December 27, 2000, TDS transferred all of its VoiceStream common shares to TDSI Corporation, a Delaware corporation and wholly-owned subsidiary of TDS. In connection with this transfer, TDS assigned to TDSI and TDSI assumed the stockholder agreement and the two letter agreements described above.

### **The Deutsche Telekom Investment Agreements**

In connection with the Deutsche Telekom/VoiceStream merger agreement, Deutsche Telekom agreed to purchase 3,906,250 shares of a new class of voting preferred shares of VoiceStream for an aggregate purchase price of \$5 billion. This purchase was completed on September 6, 2000. We summarize below the material terms of the new class of voting preferred shares and the agreements entered into in connection with the issuance and sale of those shares. The following summary is qualified in its entirety by reference to the full text of the agreements summarized, copies of which have been filed as exhibits to Deutsche Telekom's and VoiceStream's respective registration statements and are incorporated herein by reference.

#### *VoiceStream Voting Preferred Shares*

On July 23, 2000, the VoiceStream board of directors authorized the creation of a class of shares designated "Convertible Voting Preferred Stock," par value \$0.001 per share, consisting of up to 3,906,250 shares, all of which were issued to Deutsche Telekom under the stock subscription agreement, dated July 23, 2000. See "— Stock Subscription Agreement."

*Liquidation Preference.* In the event of a liquidation or dissolution of VoiceStream, holders of shares of VoiceStream voting preferred shares will be entitled to a liquidation preference of \$1,280 per share, subject to adjustment for stock splits or other comparable transactions with respect to the VoiceStream voting preferred shares, before any distribution may be made to the holders of VoiceStream common shares or junior preferred shares.

*Conversion.* The VoiceStream voting preferred shares are not convertible unless the Deutsche Telekom/VoiceStream merger agreement is terminated. If the Deutsche Telekom/VoiceStream merger agreement is terminated, each VoiceStream voting preferred share will become convertible into the number of VoiceStream common shares equal to the aggregate liquidation preference of the VoiceStream voting preferred shares to be converted, divided by \$160 per share, subject to adjustment for stock splits or other comparable transactions with respect to the VoiceStream voting preferred shares. Assuming no adjustment in the \$1,280 liquidation preference or \$160 purchase price, each VoiceStream voting preferred

Company. Each stockholder also agreed to terminate any of its existing registration rights agreements with VoiceStream effective at the completion of the Deutsche Telekom/VoiceStream merger.

In some circumstances, if Deutsche Telekom acquires any other company for consideration in excess of \$15 billion and significant stockholders of the acquired company enter into agreements with Deutsche Telekom, or could reasonably be expected to enter into agreements with Deutsche Telekom, that are more favorable to those stockholders in terms of the obligations to vote in favor of the related transaction or to refrain from selling or transferring shares, the transfer restrictions in the stockholder agreements will be modified to reflect the more favorable provisions or absence of restrictions, as the case may be.

#### *Registration Rights*

If the existing majority shareholders of Deutsche Telekom — the Federal Republic of Germany and KfW — elect to conduct a registered secondary offering of their Deutsche Telekom shares during the period from the completion of the Deutsche Telekom/VoiceStream merger through the first anniversary of the completion of the Deutsche Telekom/VoiceStream merger, Deutsche Telekom agrees to use its reasonable best efforts to obtain the agreement of the existing majority shareholders to include in such registered offering the maximum amount of Deutsche Telekom shares acquired in the Deutsche Telekom/VoiceStream merger by the VoiceStream stockholders who have entered into stockholder agreements with Deutsche Telekom. Deutsche Telekom's existing majority shareholders would have the right to determine the number of Deutsche Telekom shares of these VoiceStream stockholders which may be included in such secondary offering without adversely affecting such secondary offering, on such terms and conditions as the existing majority shareholders determine are appropriate.

#### *Termination*

Each of the stockholder agreements will terminate, except with respect to the transfer restrictions, which will terminate as set forth above, and the agreement to vote, which will terminate upon the earlier of the completion or termination of the Deutsche Telekom/VoiceStream merger agreement, upon the earliest to occur of:

- the completion of the Deutsche Telekom/VoiceStream merger;
- the termination of the Deutsche Telekom/VoiceStream merger agreement; and
- July 23, 2002.

#### *No Solicitation*

Each of the stockholders agreed not to initiate or participate in, and not to authorize any representatives to initiate or participate in, discussions or negotiations regarding transactions or business combinations between VoiceStream and a company other than Deutsche Telekom, except as otherwise permitted by the Deutsche Telekom/VoiceStream merger agreement. See “— The Deutsche Telekom/VoiceStream Merger Agreement — Offers for Alternative Transactions.”

#### *The Agreements with Telephone & Data Systems, Inc.*

Telephone & Data Systems, Inc. and Deutsche Telekom entered into a stockholder agreement containing the general provisions described above and two letter agreements. In addition, the parties agreed in a letter agreement dated July 23, 2000 that, in the event that the board of directors of Telephone & Data Systems determines that Telephone & Data Systems is subject to the regulations of the Investment Company Act of 1940 and Telephone & Data Systems is unsuccessful in obtaining an exemption from such regulations or is not eligible for an exemption, the restrictions on Telephone & Data Systems' right to transfer VoiceStream common shares will be modified to allow it to sell a minimum number of VoiceStream common shares that would allow Telephone & Data Systems, with a reasonable margin of safety, to avoid being characterized as an “investment company” under the Investment Company Act of 1940.